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17555 PEAK AVENUE   MORGAN HILL   CALIFORNIA 95037

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**MORGAN HILL**  
**FINANCIAL POLICY COMMITTEE**

Morgan Hill Civic Center  
West Conference Room  
17555 Peak Avenue  
Morgan Hill, California

Chairperson:  
Committee Member:  
Committee Member:  
Staff:

Council Member Steve Tate  
Council Member Mark Grzan  
City Treasurer Mike Roorda  
City Manager Ed Tewes  
Director of Finance Jack Dilles  
Asst. Director of Finance Tina Reza

**REGULAR MEETING**

**Wednesday, February 23, 2005**

**MINUTES**

**6:05 P.M.**

**CALL TO ORDER by Chair Tate**

Chair Tate, Committee Member Grzan (arrived at 6:30 PM) & Committee Member Roorda  
*Staff: Tewes, Dilles & Reza*

**DECLARATION OF POSTING OF AGENDA**

In compliance with Government Code 54954.2

**PUBLIC COMMENTS**

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

## BUSINESS:

### **1. Approval of Finance and Audit Committee Minutes of January 26, 2005**

*The Finance and Audit Committee minutes for January 26, 2005, were approved, on a motion by Committee Member Roorda and a second by Chair Tate.*

### **2. Committee Meeting Logistics (Discussion)**

*The Committee agreed to set 6:00 PM on the fourth Wednesday of each month as the regular time for Committee meetings. Committee Members also agreed to meet at 5:30 PM on a fourth Wednesday whenever legal affairs are to be discussed, so that legal affairs could be discussed at 5:30 PM. The Committee also agreed to continue the City Treasurer's quarterly report to the City Council on the fourth Wednesday of the month following each quarter (April, August, October, and January).*

### **3. Revenue Enhancements (Discussion)**

*City Manager Tewes described the revenue enhancement process as he understands it. He sees a year-long conversation with the community to check in to see where the community is, to see if the community is aware of positive changes. He asked if City representatives should go to local service clubs or if the City should hold community forums. He also asked if there should be a community "blue ribbon committee." Chair Tate indicated that he likes the concept of community forums.*

*Committee Member Roorda commented that it may be necessary to identify the services that may have to be reduced, and that this would be a political decision. City Manager Tewes suggested that certain questions might be asked of the community, such as:*

- 1) What do you know about city finances?*
- 2) Rank the importance of 10 City services.*
- 3) Test revenue options with questions like "Should sales taxes be raised by \$\_\_\_\_\_?"*

*Committee Member Roorda stated that Morgan Hill is a low tax, low service city. City manager Tewes added that the only locally imposed taxes are the transient occupancy tax imposed on visitors and the low business license tax.*

*Committee Member Roorda stated that he sees the education process as vital. Chair Tate asked "how do we educate the public enough to be able to take the survey?" City Manager Tewes responded that the City could say "here is the year-long effort" every so often by sending out periodic newsletters. The City could also take comments from the public and could have electronic bulletin boards. Committee Member Roorda stated that he is not sure people understand the City's financial circumstances. The City could say "here is the unbiased state we are in and give residents a place to go if they want more details." City Manager Tewes asked "how about having an independent group present the facts?" Chair Tate indicated there are many high level managers living in Morgan Hill. He added that he thinks the City can get to a place where the public sees that the City has made changes, and then the public would support new revenues. (Committee Member Grzan arrived at this point).*

*Committee Member Roorda indicated that the City could educate the public at the same time as a survey would be conducted. Committee Member Grzan added that the public should be informed as to where the City has been and where the City plans to go. He went on to indicate that the public could then be informed, in a non-threatening manner, as to what would happen without new revenues, based upon the City's financial forecast. Committee Member Grzan added that City representatives should go to service clubs and let them know about the City's financial situation. Committee Member Roorda indicated that there has not been much public input. Committee Member Grzan responded that the public does not understand. Committee Member Roorda stated that he would like the City to lay the first few bricks of information and explain this is why the City needs your solutions. Committee Member Grzan added that the City should also explain how we got to this point to diffuse possible assumptions of ineffectiveness or collusion. Chair Tate added that "then the City should take the public through possible solutions."*

*Committee Member Grzan stated that a timeline would be beneficial so that decisions could be made in an organized manner and so that the public would know this timeline.*

*City Manager Tewes asked "what kind of services does the public want to pay for?" This is probably not a snap decision on the part of the public. How should the City balance services and finances? If the City aims for a November 2006 election, the City Council would need to have decided the question to ask the public by June 2006. Committee Member Grzan indicated that useful information would be the dollar amount in new revenues needed, a list of revenue options, and the pros and cons of each option, presented as a matrix. Chair Tate stated that he would like some of the options eliminated by then. Committee Member Grzan agreed with this and indicated he would like the City to bounce ideas off community groups like the School District, Chamber of Commerce, and a community group with applicable expertise.*

*The Committee discussed the revenue options currently being considered by the City Council. They include a sales tax, utility users tax, parcel tax, fire suppression assessment district, and emergency dispatch (911) fee. Chair Tate stated that the City Council is looking for concrete recommendations. Committee Member Grzan indicated he favors the first two of these options, and that one solution is to look at economic development instead of imposing new taxes.*

*The Committee discussed the next steps. City Manager Tewes indicated that, if a polling consultant can be hired this month, the pollster could be in the field by the end of March and polling results could be obtained in April, consistent with the City Council's direction. Staff will be working on arranging for the Committee to provide input to the pollster once this consultant is hired.*

**4. Reserve Policy (Discussion)**

*This item was not discussed.*

**5. January 2005 Finance & Investment Report**

*This item was not discussed.*

**6. Future Agenda Items (Discussion)**

*None.*

**ADJOURNMENT: 7:00 P.M.**

**NOTICE**

**AMERICANS WITH DISABILITY ACT (ADA)**

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the City Council agenda, please contact the Office of the City Clerk at 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.